

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO DIVERSIFIED)	
OPERATIONS OF LOCAL EXCHANGE TELEPHONE)	ADMINISTRATIVE
COMPANIES)	CASE NO. 340

O R D E R

The Commission, on its own motion, initiated this investigation by Order dated October 25, 1991. The purpose of the investigation was for the Commission to gather more information regarding the diversified activities of the Local Exchange Carriers ("LECs"), with particular attention on recent investments in cellular ventures and to satisfy itself that these investments were not being subsidized by monopoly services. In that Order, a series of general questions were propounded. A second Order was issued on April 6, 1992, propounding more specific questions directed in some instances to specific companies. Subsequently, an informal conference was held on July 24, 1992, to discuss the issues and to attempt to find mutually acceptable answers to the issues.

On September 21, 1992, the Commission entered an Order which discussed the Commission's findings and ordered all LECs to comply with certain accounting guidelines, to file certain documentation pertaining to billing arrangements, liability insurance coverage and partnership arrangements. Additionally, the Commission, in ordering paragraphs 8, 9, and 10, required that each cooperative inform its members of its approximate investment in cellular ventures and provide examples of such notification, to complete

subsequent notifications no less than annually from the date of the initial notification and to inform the Commission of the methodology used in the notification process. Investor-owned LECs were not subject to the requirements of these ordering paragraphs.

Subsequently, West Kentucky Rural Telephone Cooperative Corporation, Inc., Duo County Telephone Cooperative Corporation, Inc., Foothills Rural Telephone Cooperative Corporation, Inc., Ballard Rural Telephone Cooperative Corporation, Inc., and Logan Telephone Cooperative, Inc., filed motions for reconsideration and modifications of ordering paragraphs 8, 9, and 10 of the September 21, 1992 Order. South Central Rural Telephone Cooperative Corporation, Inc., North Central Telephone Cooperative, Inc., Highland Telephone Cooperative, Inc., and Mountain Rural Telephone Cooperative Corporation, Inc., filed motions to concur. The cooperatives argued that the Commission had not, in previous information requests or informal discussions, indicated any concerns regarding the frequency or extent of communication between management and members relative to cellular investments. Additionally, the companies cited possible discriminatory treatment of the cooperatives, since no similar requirement had been imposed on investor-owned LECs with respect to required information flow between management and the stockholders of the corporations.

On October 28, 1992, the Commission granted the motions for reconsideration, holding ordering paragraphs 8, 9, and 10 in abeyance and ordering a second informal conference which convened on December 11, 1992. The Commission also ordered the cooperatives

to file information relating to the type and extent of notification which they provided their membership regarding cellular investment.

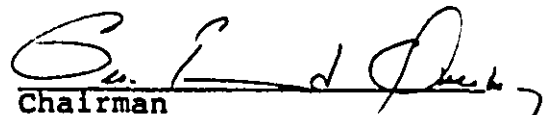
In response to the October 28, 1992 Order, the cooperatives filed new information to illustrate how they had communicated their involvement in cellular ventures. In some cases the cooperatives provided examples of financial information provided to their members which showed the dollar investment in these ventures. During the second informal conference, the cooperatives acknowledged the Commission's concerns and advised the Commission that during 1993, all of the Kentucky cooperatives would voluntarily mail to each of their members a financial statement which would include a balance sheet showing as a line item the prescribed account used to record cellular investment and activities, which is Account No. 1401 - Investments in Affiliated Companies. The cooperatives further stated that the notification would take the form of inserts, newsletters or formal annual reports. All of the reports will conform to the requirements of the Commission. This reporting procedure will become standard practice for all of the cooperatives in the future.

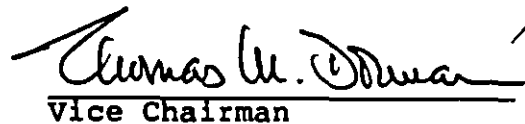
The Commission having considered all of the evidence of record and being satisfied that its concerns have been or will be met by the Kentucky cooperatives HEREBY ORDERS that the October 8, 1992, motion of Duo County Rural Cooperative Corporation to modify ordering paragraphs 8, 9, and 10 of the Commission's September 21, 1992 Order is granted and paragraphs 8, 9, and 10 are modified to reflect and incorporate the notification plans as set forth by the

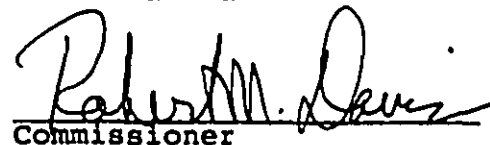
cooperatives in the informal conference memorandum which was made a part of the record in this case on December 23, 1992.

Done at Frankfort, Kentucky, this 5th day of February, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director